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Office of the Fiscal Assistant Secretary
U.S. Department of Treasury, Rm. 2112
1500 Pennsylvania Avenue N.W.
Washington D.C. 20220

Dear Assistant Secretary:

I am writing on behalf of East Bay Habitat for Humanity to urge Treasury to prohibit check cashers and other "payment service providers" from providing recipients access to electronic federal benefits, as part of EFT'99. Check cashers prey upon low-income consumers and deny their customers the consumer protections provided at mainstream financial institutions.

The mission of East Bay Habitat for Humanity is the provision of decent, affordable housing for people who have low or very low income levels. In providing this housing, and working with the families who need it, we are very much aware of how difficult it is for them to receive the financial services which are available to mainstream American consumers.

Treasury began EFT'99 with the stated goal of brining the unbanked into the financial mainstream. Allowing check cashers to be the access point for federal benefits recipients to receive their funds, however, does exactly the opposite. Check cashers force consumers to pay excessive fees for transactions that should be available to them at a reasonable cost. For instance, in California check cashers charge an annual percentage rate of almost 400% for a payday loan! With interest rates this high, recipients are prevented from having access to their benefits at a reasonable cost.

Check cashers also provide few consumer protections that they would receive if they banked at a federally insured financial institution. If federal benefits recipients have an account with such fringe bankers, check cashers may withhold federal funds as payment for past sums owed to the check casher.

By allowing check cashers to provide access to federal funds, Treasury will not only condone but stimulate the abusive practices of check cashers. While the customer will go to the check casher to receive her federal benefits, she may also become a potential customer for numerous other abusive transactions. The number of check cashers has doubled since 1900, and is steadily growing. This profitable industry makes no reinvestment back into the low income communities in which they operate.

It is time Treasury made EFT'99 a program that truly protects consumers and ensures that low income recipients are not relegated to a position outside the financial mainstream. Please prohibit arrangements wherein recipients of electronic federal payments gain access to benefits through non-depository payment service providers.

Sincerely,

Joel T. Mackey
Executive Director

150